Skin in the Game
Redskins’ Complex Deal Involves Many Players

Last year, the Washington Redskins football team held its summer training camp at Redskins Park in Ashburn, Va., while, 100 miles to the south, dozens of preschoolers romped on the playground at Tot Lot Park in Richmond, Va.

The level of play was vastly different, but the pros and the peeewees were connected by a complex chain of economic development incentives.

Beginning this summer, the Redskins are moving their summer training camp from Ashburn (in Northern Virginia’s Loudoun County) to Richmond for at least the next eight years. The team selected Richmond after the city agreed to build a $10 million complex that the Redskins will use for about one month each summer. In an overlapping deal, the team agreed to keep its headquarters and year-round training facilities in Ashburn in exchange for $4 million from the state and $2 million from Loudoun County. The money will go toward renovating the existing facilities.

Richmond courted the Redskins primarily to generate tax revenues, directly and indirectly, from visitors who will come to watch the team practice.

An economic impact study by Richmond-based Chmura Economics and Analytics projected that visitors to the training complex will spend $4.3 million in the city during the 2013 camp. The study assumed that 100,000 people will visit the facility and that 40 percent of those people will stay an average of two nights in the area.

Richmond had little more than one year after the Redskins’ announcement to develop facilities for the training camp. The city quickly leased 16 acres behind the Science Museum of Virginia from the state and started looking for private sector partners to help defray the cost of building the complex and moving the team back and forth between Richmond and Loudoun County each summer.

In October, the city unveiled plans for the Bon Secours Washington Redskins Training Center, a joint venture between the city’s economic development authority and Maryland-based Bon Secours, a nonprofit health care company that owns four hospitals in the Richmond area. The training center will include football fields, parking spaces, observation areas, and a 40,000-square-foot building with a field house for the Redskins and a sports medicine and rehabilitation center for Bon Secours.

The city transferred $10 million to its economic development authority to pay for the construction. It plans to recoup its investment primarily via lease revenues and sponsorships — including more than $6.3 million from Bon Secours over 10 years.

In exchange for Bon Secours’ commitment, the city agreed to grant the health care company a 60-year lease on a vacant school property — the location of Tot Lot Park — near Bon Secours St. Mary’s Hospital. The city also agreed to help the company develop a medical office building and fitness center near Bon Secours Richmond Community Hospital in a medically underserved area of the city.

On the vacant school property, Bon Secours plans to spend $24 million to build a 75,000-square-foot medical building. The company will lease the site for $33,000 per year, including $28,000 that the
city will use to maintain public playing fields on the property. The company and the city will work together to relocate Tot Lot Park and make it more accessible for disabled children.

The mayor’s announcement of the deal said the money Bon Secours would save by leasing the school site instead of buying it would be “directed to the construction costs of the Washington Redskins practice fields and the development of Richmond Community Hospital in the East End.”

The statement prompted criticism that the lease arrangement was designed to circumvent the city’s policy of returning money from the sale of school properties to the school system. In response, the city agreed to dedicate much of the projected tax revenue from Redskins-related projects (nearly $5.4 million over 10 years) to the school system. Bon Secours promised to contribute an additional $1 million to Richmond schools over 10 years to fund projects related to the company’s mission of promoting health and fitness.

As of early March, the Bon Secours Washington Redskins Training Center was taking shape quickly, and the medical building on the school property was in the preliminary planning stage. The new location for Tot Lot Park was still undetermined.

— Karl Rhodes

This One Goes to 11
Eight More States Join the Court Battle Against Dodd-Frank

Another Fifth District state has joined the lawsuit against the federal government challenging the constitutionality of the Dodd-Frank Act. On February 13, the attorney general of West Virginia, along with attorneys general from seven other states, signed on as a plaintiff. They join South Carolina, Michigan, and Oklahoma, which became plaintiffs last September. This latest action brings the total number of states involved to 11.

The case began last June, when State National Bank of Big Spring, a small Texas bank, and a pair of nonprofit advocacy groups, the 60 Plus Association and the Competitive Enterprise Institute, filed suit in federal court in Washington, D.C. These three plaintiffs contend that Congress violated the U.S. Constitution’s separation of powers by delegating too much power to the Bureau of Consumer Financial Protection and the Financial Stability Oversight Council, new regulatory bodies created by the Dodd-Frank Act. The Council, for example, determines which financial firms are so big or complex that they should be designated “systemically important financial institutions,” or “SIFIs.” According to these plaintiffs, the SIFI designation codifies “too big to fail,” the belief that regulators will never allow very large banks to fail for fear of economic upheaval. Market participants who understand this might lend to SIFIs more cheaply than they would to small banks like State National Bank of Big Spring.

The states have limited their challenge to the Orderly Liquidation Authority, the FDIC’s new power to unwind systemically important financial firms on the brink of failure, including those that had not previously received SIFI designation. They contend that this new regime allows the federal government to take over and dismantle failing companies without any opportunity for interested parties, such as creditors and shareholders, to object in court. This, the attorneys general insist, is a government taking of private property without due process of law, a violation of the Fifth Amendment. They base their takings argument on potential risk to their respective states’ pension funds. If the FDIC were to liquidate a financial firm through Orderly Liquidation, they argue, the process would sacrifice the traditional creditor rights and safeguards of the Bankruptcy Code. Pension fund holdings would likely be “arbitrarily and discriminatorily extinguished.”

The federal government has moved to dismiss the lawsuit, noting that many of the injuries the plaintiffs have described are either too indirect or too speculative. Some observers say the states’ takings and due process arguments might prove to be the plaintiffs’ strongest. If these arguments withstand the motion to dismiss, the states will need to show that the judicial review of the Orderly Liquidation process is too limited. In the meantime, the original plaintiffs reasserted their opposition to the government’s motion, insisting that their injuries are “concrete” and “imminent.” The government responded on April 9 that the plaintiffs lack standing because their injuries are “entirely hypothetical.” A decision is expected later this year.

—Keith Goodwin
At the end of their enlistments, members of the military leave the front lines of war only to face the front lines of the labor market. There are more than 11 million veterans in the U.S. labor force, and 783,000 of them are without work.

The job search might get easier for some veterans, thanks to a new training program that seeks to connect 100,000 service men and women to skilled manufacturing jobs by 2015. The “Get Skills to Work” initiative, a collaboration between the nonprofit Manufacturing Institute and major manufacturers, is an attempt to solve two problems at once: a shortage of skilled manufacturing workers and high unemployment rates among certain veteran groups. According to the institute, 600,000 skilled manufacturing jobs are unfilled. Partners include manufacturing giants General Electric, Alcoa, Boeing, and Lockheed Martin, which together already employ 64,000 veterans.

The training sessions are scheduled to occur in 10 states in 2013, including at technical and community colleges in Greenville and Charleston, S.C., and Durham, N.C. The Carolinas are home to almost 1.2 million veterans.

“From a veteran’s perspective, the problem is being able to translate their skills into civilian terms,” says Bryan Goettel of the U.S. Chamber of Commerce. To address this issue, Get Skills to Work is creating an online badge program that equates the military’s skills codes to manufacturing occupation codes and matches veterans with employers.

While the overall veteran unemployment rate is below that of the population as a whole — 7.1 percent compared to 7.6 percent as of March 2013 — certain subgroups are more at risk. Members of the “Gulf War-era II,” which includes veterans of Iraq and Afghanistan, face a 9.2 percent unemployment rate. For veterans under 25, a group that includes many of the Gulf War-era II vets, 32.9 percent are jobless. (See chart.) Many of these veterans have not graduated from college and have only a military career on their resume.

Get Skills to Work joins several recent public and private efforts to boost post-military hiring. In 2009, President Barack Obama approved a hiring initiative for the federal government, after which the share of veterans as a percent of civilian hires went from 24 percent in 2009 to more than 28 percent two years later. In 2011, Congress approved tax credits of up to $9,600 for businesses that hire veterans. The Chamber of Commerce’s “Hiring Our Heroes” program hosts job fairs, trains veterans on skill marketing, and encourages businesses to hire veterans. Within a year of launching its hiring campaign in March 2012, the program garnered commitments from businesses to hire more than 210,000 veterans. Separately, Wal-Mart, the world’s largest private employer, pledged in January 2013 to hire 100,000 veterans over the next five years. Still, more than 160,000 people leave active military duty each year — and many of them will be joining their fellow service members looking for work.

— RENEE HALTOM
High-tech solar panels and wind turbines get most of the attention as sources of renewable energy, but relatively low-tech wood is gaining traction. Energy-dense wood pellets are made of wood scraps and compressed sawdust, and burn more cleanly than firewood. Some power companies, including in the Fifth District, have started converting plants to run on wood pellets, while consumers continue to heat their homes by burning pellets in specially designed stoves.

Bethesda, Md.-based Enviva is playing a big role in meeting the demand for wood as a renewable fuel. The company operates one wood pellet plant in Hertford County, N.C., and is building two additional plants in Northampton County, N.C., and Southampton County, Va., that should be completed this year.

Enviva has a contract to supply wood chips to Dominion Virginia Power, which is converting three of its coal-fired power stations in Virginia to use wood by the end of 2013. This will help Dominion meet the state’s voluntary goal for 15 percent of the company’s electricity sales (as of 2007) to come from renewable resources by 2025.

Most of the production from Enviva’s new pellet production plants will be sent to Europe, however. In general, the demand for wood pellets is growing outside of the United States. American pellet producers exported 1.96 million metric tons of their product in 2012, a 52 percent increase from 2011.

“Displacing coal with biomass power from wood pellets is one of the most cost-effective ways to meet renewable energy targets related to the European Union’s [goals] for energy and climate change,” noted economist Seth Walker in the February 2013 edition of the RISI Wood Biomass Market Report. By 2020, the EU aims to reduce greenhouse gas emissions by 20 percent from 1990 levels, increase the share of renewable energy to 20 percent, and increase energy efficiency by 20 percent. In contrast, the United States provides tax incentives for the production of renewable energy but has set no federal production goals for utilities.

Where do Enviva and other pellet producers get their raw material? A lot of it comes from harvesting hardwood trees. “Typically, the smaller parts of the tree — tops, limbs and branches — have been left in the woods as scrap,” says Ronnie James, a senior vice president at First Citizens Bank who regularly works with agricultural firms in the Greenville, N.C., metropolitan area. For wood pellet manufacturers, these scraps are just the right size to be chipped and hauled away for their use.

Smaller trees that had been pushed down or run over also are being snatched up by pellet manufacturers, adds James. “This not only leaves a cleaner site, but also provides additional income for the landowner and logger.”

Normally, logging companies don’t sell to wood pellet manufacturers. But when they were hurting from the housing market slump, the demand from pellet manufacturers “came at an opportune time,” says Mary Ellen Aronow, senior forest economist at Hancock Timber Resource Group, which owns timberland in Virginia and the Carolinas. “When you take the smaller trees out to make room for the bigger trees, we need a market for that thinning material.”

Recently, interest in converting to bioenergy has slowed, according to Aronow. With natural gas production rising and prices falling, thanks to hydraulic fracturing, power plants configured to use either wood pellets or natural gas are increasingly choosing the latter, noted the RISI Wood Biomass Report. As a result, there was an oversupply of pellets and other wood-based biomass as of the first quarter of 2013.

But analysts still predict that wood pellet demand will at least double by 2020. If that happens, timber producers aren’t the only ones who could benefit. “New equipment is needed to chip wood in order to meet processor demands,” explains James. “Transportation also could be affected positively as more drivers for road tractors may be needed to haul chips.”

— CHARLES GERENA